

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name PORTAGE LAKE DISTRICT LIBRARY	County HOUGHTON
Audit Date 6/30/05	Opinion Date 8/8/05	Date Accountant Report Submitted to State: 10/20/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC			
Street Address 310 SHELLEN AVENUE		City HOUGHTON	State MI
		ZIP 49931	
Accountant Signature <i>Debbie Bradford</i>			Date 10/20/05

PORTAGE LAKE DISTRICT LIBRARY
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION

June 30, 2005 and 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Portage Lake District Library
Houghton, Michigan

We have audited the accompanying general purpose financial statements of the Portage Lake District Library as of and for the year ended June 30, 2005. These general purpose financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Account Group is not known. In addition, the Library has not adopted the reporting format of Governmental Accounting Standards Board Statement No. 34.

In our opinion, except for the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Portage Lake District Library as of June 30, 2005 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 2005 on our consideration of the Portage Lake District Library's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Portage Lake District Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statement and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

August 8, 2005

Bruce A. Rukkila, CPA, PC
Certified Public Accountants



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Portage Lake District Library
Houghton, Michigan

We have audited the general purpose financial statements of the Portage Lake District Library as of and for the year ended June 30, 2005, and have issued our report thereon dated August 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance - As part of obtaining reasonable assurance about whether the Portage Lake District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the Portage Lake District Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the board of trustees and state audit agencies. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

August 8, 2005

PORTAGE LAKE DISTRICT LIBRARY

BALANCE SHEETS

June 30, 2005 and 2004

	Governmental Fund Type	Account Group	Totals	
		General Long-Term Obligations	(Memorandum Only)	
	General		2005	2004
ASSETS				
Cash	\$ 289,024	\$ 0	\$ 289,024	\$ 254,428
Receivables:				
Grants	1,038	0	1,038	0
County penal fines	18,076	0	18,076	20,008
Taxes	29,671	0	29,671	36,078
Other	5,256	0	5,256	0
Prepaid expenses	0	0	0	5,148
Investments	4,354	0	4,354	4,050
Amount to be provided for long-term debt		7,741	7,741	8,179
TOTAL ASSETS	\$ 347,419	\$ 7,741	\$ 355,160	\$ 327,891
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 11,293	\$ 0	\$ 11,293	\$ 1,837
Accrued wages and payroll withholdings	8,159	0	8,159	5,181
Other short-term payables	784	0	784	751
Deferred revenue	8,492	0	8,492	2,418
Accrued sick and vacation	0	7,741	7,741	8,179
TOTAL LIABILITIES	28,728	7,741	36,469	18,366
FUND EQUITY				
Restricted fund balance	3,791	0	3,791	2,732
Unrestricted fund balance	283,958	0	283,958	274,198
Designated fund balance	30,942	0	30,942	32,595
TOTAL FUND EQUITY	318,691	0	318,691	309,525
TOTAL LIABILITIES AND FUND EQUITY	\$ 347,419	\$ 7,741	\$ 355,160	\$ 327,891

The accompanying notes to the financial statements are an integral part of this statement.

PORTAGE LAKE DISTRICT LIBRARY
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
State Revenue:		
State aid	\$ 10,524	\$ 10,524
Local Revenue:		
Property taxes	303,926	296,705
Other tax	3,577	1,746
Penal fines	18,076	20,008
Non-resident fees	9,561	9,147
Overdue fines	4,986	4,867
Grant revenue	3,456	7,686
Photocopier and fax fees	1,367	1,559
Lost/damaged materials	1,571	1,442
Book sales	747	484
Interest income	3,724	2,807
General donations	144	337
Dedicated contributions	2,428	1,290
Miscellaneous	547	849
Total Local Revenues	<u>354,110</u>	<u>348,927</u>
TOTAL REVENUES	<u>364,634</u>	<u>359,451</u>
EXPENDITURES		
Personnel	252,226	223,779
Travel and training	4,406	3,593
Administration	25,875	32,291
Materials and processing	28,724	27,594
Information technologies	14,716	14,288
Building expenditures	15,519	19,507
State aid for co-op	5,253	5,262
Grant expense	0	4,084
Dedicated contributions projects	1,370	1,072
Election expense	6,785	0
Building project	125	2,000
Miscellaneous	468	223
TOTAL EXPENDITURES	<u>355,467</u>	<u>333,693</u>
EXCESS OF REVENUES (EXPENDITURES)	9,167	25,758
FUND BALANCE, BEGINNING OF YEAR	<u>309,525</u>	<u>283,767</u>
FUND BALANCE, END OF YEAR	<u>\$ 318,692</u>	<u>\$ 309,525</u>

The accompanying notes to the financial statements are an integral part of this statement.

PORTAGE LAKE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
State Revenue:			
State aid	\$ 10,518	\$ 10,524	\$ 6
Local Revenue:			
Property taxes	311,329	307,503	(3,826)
Penal fines	20,000	18,076	(1,924)
Non-resident fees	9,000	9,561	561
Overdue fines	4,500	4,986	486
Grant revenue	3,418	3,456	38
Photocopier and fax fees	1,200	1,367	167
Lost/damaged materials	1,300	1,571	271
Book sales	625	747	122
Interest income	2,500	3,724	1,224
General donations	134	144	10
Dedicated contributions	1,927	2,428	501
Miscellaneous	430	547	117
Total Local Revenues	<u>356,363</u>	<u>354,110</u>	<u>(2,253)</u>
TOTAL REVENUES	<u>366,881</u>	<u>364,634</u>	<u>(2,247)</u>
EXPENDITURES			
Personnel	257,310	252,226	5,084
Travel and training	4,500	4,406	94
Administration	31,410	25,875	5,535
Materials and processing	30,760	28,724	2,036
Information technologies	15,906	14,716	1,190
Building expenditures	15,250	15,519	(269)
State Aid for Co-op	5,250	5,253	(3)
Dedicated contributions projects	1,927	1,370	557
Election expense	15,000	6,785	8,215
Building project	10,000	125	9,875
Miscellaneous	500	468	32
TOTAL EXPENDITURES	<u>387,813</u>	<u>355,467</u>	<u>32,346</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(20,932)</u>	<u>9,167</u>	<u>30,099</u>
FUND BALANCE, BEGINNING OF YEAR	<u>0</u>	<u>309,524</u>	<u>(309,524)</u>
FUND BALANCE, END OF YEAR	<u>\$ (20,932)</u>	<u>\$ 318,691</u>	<u>\$ 339,623</u>

The accompanying notes to the financial statements are an integral part of this statement.

PORTAGE LAKE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

The Portage Lake District Library was established in 1974 pursuant to development of a plan by the City of Houghton and the Township of Portage and Public Act No. 164 of 1955, as amended by Public Act No. 32 of 1970. The District also currently includes Chassell Township.

The District Library Board of Trustees consists of eight (8) members with three appointed by the Houghton City Council, three appointed by the Portage Township Board, and two appointed by the Chassell Township Board. The District Library Board of Trustees are given powers to maintain and operate a public library for the district. District Library operations are financed substantially through property taxes levied by the City and Townships. The District Library also provides services to Duncan Township through an agreement where the Library receives penal fines allocated to the Township by Houghton County.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District Library conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounts of the Library are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund utilized by the Library is by definition a governmental fund type.

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

LONG-TERM LIABILITIES

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included in governmental fund balance sheets.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under modified accrual, revenues are recognized when they become both measurable and available to finance expenditures of the current

PORTAGE LAKE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

period. Significant revenues susceptible to accrual include property taxes, state and federal sources, and intergovernmental revenues. Other revenue sources, such as permits, charges for services, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

BUDGETS AND BUDGETARY ACCOUNTING

The Library's annual budget is prepared in June of each year by the finance committee, consisting of the Treasurer and three trustees, with assistance from the library director. The District Library Board reviews and adopts the annual budget prior to the beginning of the new fiscal year.

The Library Board adopts the budget on a line item basis and has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined.

The general statute governing District Library budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Library does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

PROPERTY TAXES

The Library receives property tax revenues levied by the City of Houghton, Portage Township, and Chassell Township as its major source of revenue to finance operations. Each of the municipalities levy taxes on December 1 and the majority of payments are received in December through February of each year. Property tax revenues are recognized on the records of the Library when levied to the extent that they result in current receivables.

The 2004 taxable valuation of Portage District Library amounted to \$168,872,399 on which ad valorem taxes of \$337,677 were levied for operating purposes (1.9996 mills).

NOTE B - CASH AND INVESTMENTS

CASH

At June 30, 2005, the book value of the Library's demand deposits, consisting of checking accounts and savings accounts, was \$289,024 with a corresponding bank balance of \$293,547. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, \$200,620 representing approximately 68% of the Library's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$200,620 was insured and \$92,927 was neither insured nor collateralized.

PORTAGE LAKE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005
NOTE B - CASH AND INVESTMENTS - (Continued)

INVESTMENTS

The investment of the Library's funds is governed by state statutes. In general, state statutes provide that the Library is authorized to invest its funds in certificates of deposit, savings accounts, and deposit accounts in a bank which is a member of the Federal Deposit Insurance Corporation. In addition, it may also invest in bonds, securities, and other obligations of the United States in which the principal and interest is fully guaranteed by the United States, and investments in commercial paper rated prime at the time of purchase and which matures not more than 270 days after the date of purchase.

Investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the entity's name.

At June 30, 2005 , the Library's investments were as follows:

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash Equivalents	\$ -	\$ 511	\$ -	\$ 511	\$ 511
Huntington Bankshares Stock	-	3,843	-	3,843	3,843
Total	<u>\$ -</u>	<u>\$ 4,354</u>	<u>\$ -</u>	<u>\$ 4,354</u>	<u>\$ 4,354</u>

NOTE C - ACCUMULATED UNPAID VACATION AND SICK/PERSONAL LEAVE

Employees accumulate sick leave based on their actual hours worked times a pre-determined multiplier, to a maximum of 240 hours. Upon the death or retirement of any employee, accumulated sick/personal leave days shall be paid to the employee (or, in the event of death, to the employee's estate) according to the following schedule:

- after three years of employment, $\frac{1}{4}$ of accumulated sick/personal leave
- after five years of employment, $\frac{1}{2}$ of accumulated sick/personal leave
- after eight years of employment, $\frac{3}{4}$ of accumulated sick/personal leave
- after ten years of employment, all of accumulated sick/personal leave

Vacation pay is accumulated based on the actual hours worked times a pre-determined multiplier and cannot exceed two times the employee's annual entitlement.

Accumulated vacation and sick leave vested at June 30, 2005 and 2004, was \$7,741 and \$8,179, respectfully. Accordingly, it has been recorded as a liability in the General Long-Term Obligations Account Group.

PORTAGE LAKE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005
NOTE D - BUDGETING AND ACCOUNTING

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The main purpose of P.A. 621 is to require that all local units adopt balanced budgets, to establish responsibilities and define the procedures for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. Major provisions of P.A. 621 are as follows:

1. Local units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless authorized in the budget.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

During the year ended June 30, 2005, the Library's expenditures in certain budgetary funds which were in excess of the amounts appropriated, were as follows:

Activity	Total Appropriations	Amount of Expenditures	Budget Variances
Building expenditures	\$ 15,250	\$ 15,519	\$ (269)
State Aid Co-op	\$ 5,250	\$ 5,253	\$ (3)

NOTE E - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. The Library continues to carry commercial insurance for property, liability, wrongful acts, and other risks of loss including worker's compensation and accident insurance.

NOTE F - RESTRICTED FUND BALANCE

Restricted fund balance represents the amount of the excess of dedicated contributions received over dedicated contributions spent. Activity regarding the restricted fund balance for the year ended June 30, 2005 is as follows:

Beginning fund balance at June 30, 2004	\$ 2,732
Plus: Dedicated contributions	2,428
Subtotal	<u>5,160</u>
Less: Dedicated contributions projects	1,369
Ending fund balance at June 30, 2005	<u><u>\$ 3,791</u></u>

PORTAGE LAKE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005
NOTE G - DESIGNATED FUND BALANCE

The board has designated a portion of the General Fund balance for various future projects and contingencies. Activity regarding fund balance for the year ended June 30, 2005 is as follows:

<u>Purpose</u>	<u>Beginning Balance July 1, 2004</u>	<u>New Designations</u>	<u>Designations Expended</u>	<u>Ending Balance June 30, 2005</u>
Automated System	\$ 3,000	\$ 0	\$ 1,653	\$ 1,347
Technology Fund	8,915	0	0	8,915
Building Project/Renovation	20,680	0	0	20,680
	<u>\$ 32,595</u>	<u>\$ 0</u>	<u>\$ 1,653</u>	<u>\$ 30,942</u>

NOTE H - SUBSEQUENT EVENT

Portage Lake District Library entered into a lease and management agreement with the City of Houghton for a period of thirty years for a new public library currently being constructed. The Library shall operate, maintain and keep in repair the building. As rent, the Library shall pay the City such amount that the Library receives as property tax revenue (up to 2 mills) that would have been captured from the properties located within the City of Houghton's M-26 and Sharon Avenue Corridor Tax Increment Finance Authority (TIFA), excluding any non-captured tax revenue normally received by the Library under the existing TIFA procedures.

SUPPLEMENTAL INFORMATION

PORTAGE LAKE DISTRICT LIBRARY
DETAIL STATEMENTS OF EXPENDITURES
For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Personnel		
Salaries & wages	\$ 195,329	\$ 194,064
Employer FICA expense	14,887	15,016
Medical insurance	40,630	13,384
Workers Compensation	1,380	1,315
Total Personnel	<u>252,226</u>	<u>223,779</u>
Travel, Training, and Education		
Staff training and education	4,406	3,593
Total Travel, Training, and Education	<u>4,406</u>	<u>3,593</u>
Admininstration		
General	1,910	3,068
Supplies	3,303	2,638
Equipment	525	172
Insurance	5,148	5,071
Accounting	3,945	3,894
Postage/shipping	4,351	4,480
Computer software - office	560	576
Telephone	4,196	9,643
Library promotion	960	2,749
Children's programs	977	0
Total Administration	<u>25,875</u>	<u>32,291</u>
Materials and Processing		
Materials supplies	27,014	24,735
Information computer software	1,710	1,595
OCLC annual costs	0	1,264
Total Materials and Processing	<u>28,724</u>	<u>27,594</u>
Information Technologies		
Computer equipment	2,731	3,461
Technology support	3,881	2,478
Computer supplies	819	899
Miscellaneous computer software	300	390
Automated system maintenance	6,985	7,060
Total Information Technologies	<u>14,716</u>	<u>14,288</u>

PORTAGE LAKE DISTRICT LIBRARY
DETAIL STATEMENTS OF EXPENDITURES - (CONTINUED)
For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Building Expenditures		
Building maintenance	4,671	1,791
Building repair	509	8,224
Maintenance and repair supplies	1,520	1,373
Utilities	7,980	7,875
Furnishings	839	244
Total Building Expenditures	<u>15,519</u>	<u>19,507</u>
Miscellaneous Expenditures		
State Aid for Co-op	5,253	5,262
Grant expense	0	4,084
Dedicated contribution project	1,370	1,072
Building Project	125	2,000
Election expense	6,785	0
Miscellaneous	468	223
Total Miscellaneous Expenditures	<u>14,001</u>	<u>12,641</u>
Total Expenditures	<u>\$ 355,467</u>	<u>\$ 333,693</u>



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COMMENTS AND RECOMMENDATIONS LETTER

Board of Trustees
Portage Lake District Library
Houghton, Michigan

We have audited the financial statements of the Portage Lake District Library as of and for the year ended June 30, 2005 and have issued our report thereon dated August 8, 2005. As part of our audit, we made a study of the internal control structure to the extent we considered necessary and as required by auditing standards generally accepted in the United States of America.

Whereas our study and evaluation disclosed no conditions that we believed to be material weaknesses, certain items did come to our attention where we feel improvements could be made. The comments and recommendations below are submitted for your consideration:

GASB 34

Although the Local Audit and Finance Division of the Michigan Department of Treasury has allowed a reporting exception to the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34) for various Michigan local cities and municipalities, we recommend the Library adopt the major changes from GASB 34 to comply with GAAP. This requires the Library to issue government-wide financial statements based on full accrual accounting. This change will also require the Library to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements.

INSURED DEPOSITS

We noted that approximately sixty-eight percent (68%) of the Library's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to decrease the risk of loss to the Library.

BUDGET OVER EXPENDITURES

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. General Fund over-expenditures occurred in the activity areas as follows:

Activity	Total Appropriations	Amount of Expenditures	Budget Variances
Building expenditures	\$ 15,250	\$ 15,519	\$ (269)
State Aid Co-op	\$ 5,250	\$ 5,253	\$ (3)

We would like to thank the administration and staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

Brune A. Rukhila, CPA, PC

Certified Public Accountants

August 8, 2005